

## **1280.02 Disposition of Audit Citations and Recommendations Made by the Auditor General**

Issued January 1, 1994

**SUBJECT:** Disposition of Audit Citations and Recommendations Made by the Auditor General.

**APPLICATION:** Executive Branch Departments and Sub-units, excluding Community Mental Health Services Boards established through Department of Mental Health.

**PURPOSE:** To provide guidelines for responding to Legislative Auditor General audit reports reducing or eliminating repeated audit exceptions and identifying Department of Management and Budget responsibilities when analyzing audits and monitoring agency responses.

**CONTACT AGENCY:** Department of Management and Budget (DMB) - Office of Financial Management (OFM).

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**SUMMARY:** Article IV, §53, of the State Constitution directs the Office of the Auditor General (OAG) to conduct performance post audits of financial transactions and accounts of the state and all agencies, authorities, boards, branches, commissions, departments, institutions and offices of the state established by the State Constitution or by law.

DMB is authorized to devise, formulate, promulgate, supervise, monitor and control accounting systems, procedures, and methods of state departments, boards, agencies, commissions, authorities and institutions.

Audited agencies must submit a plan covering all audit citations and recommendations to the director of OFM, DMB within 60 days after release of the audit, along with a response summary sheet (EXHIBIT A) containing: (1) action completed; (2) citations to be complied with; and (3) contested citations.

DMB must establish general accounting policies and practice for the state. DMB reserves the right to settle any dispute between the OAG and audited agency. Audited agency must provide new or revised accounting procedures to OFM for review and approval.

**APPLICABLE FORMS:** None.

**PROCEDURES:**

**OAG:**

- Performs post audit; sends copies of audit report to:
  - Director, DMB.
  - DMB Budget Offices.
  - OFM.
  - OAG.
  - House and Senate Fiscal Agencies.
  - Executive Office.

- Relevant House and Senate Appropriations Committee(s).
- Relevant House and Senate Standing Committee(s).
- Audited department and sub-unit, as may be required.

#### Audited Agency:

- Reviews audit; prepares preliminary plan addressing all audit citations and recommendations.
- Forwards preliminary plan to director of OFM, DMB and copies to DMB Budget Offices and the OAG.
  - Includes audit response summary (EXHIBIT A) and detail response for each audit citation and recommendation.
- Specifies in each response:
  - Agreement or disagreement with citation or recommendation.
  - If in agreement, actions taken to address the citation or recommendation and when each action was completed; or what actions will be taken to address the citation or recommendation, and when such actions will be completed.
- Identifies items requiring action outside the department and/or sub-unit, i.e., policy directives, procedural advice, systems development, statutory change, etc. and notes what is planned to be done and expected implementation date.
- Identifies audit issues, requiring a budget change, that cannot be accomplished using existing resources. Appropriation transfers may be requested to accommodate budget changes.
  - Makes request for appropriation transfers within 30 days from submission of preliminary plan. If appropriation transfers are not feasible, includes a Program Revision Request (PRR) addressing the audit citation within the agency's budget target, as specified in the special instructional letter in management plan submitted to DMB Budget Offices for the next fiscal year's budget development process.
  - PRRs for additional resources should only be submitted if the budget need is a minimum of 1 full-time equated (FTE) position and/or \$50,000.
  - If contesting audit citations or recommendations, notes specific area of disagreement and reason(s) for disagreement.
    - Participates in and responds to meeting with OFM and DMB Budget Offices concerning preliminary plan, or the DMB director on remaining unsolved contested issues if any.
- Submits revised plans for resolved audit citations discussed and determined at the meeting.
- Prepares final response to remaining unresolved issues at directors' meeting if any.
- Forwards final plan to entities identified above, unless otherwise instructed by OFM.

#### DMB Budget Offices:

- Within 10 work days of receipt of agency preliminary report, determines if there are items which necessitate a meeting.
- If a meeting is required, prepares and forwards a memo to OFM specifying the meeting agenda and subjects. Provides copy to Auditor General before the meeting.
- Within 30 work days after the disposition of an appropriation transfer request, notifies OFM of availability of the fund.
- Within 30 work days of receipt of a management plan request addressing an audit citation, notifies OFM that a request for funding is or is not included in Executive Budget recommendations.

#### OFM:

- Reviews documents prepared by OAG, audited agency and DMB Budget Offices.
- If necessary, holds meetings with representatives from OAG, OFM, DMB Budget Offices and audited agency to determine closure date for OAG recommendations. Determines how contested audit findings, recommendations and budget issues will be resolved.

- Reviews audited agency's revised responses to items discussed at meetings.
- If there are unresolved contested items as a result of the meetings, arranges a meeting with the DMB director and director of the audited agency. OAG staff may attend this meeting.
- Reviews agency's final responses to items discussed at directors' meeting.
- Issues letter of acceptance.

EXHIBIT A  
NAME OF AGENCY  
DEPARTMENT  
Audit Response Summary  
Period Covered: (date) through (date)

1. Citations complied with:  
(Recommendation numbers only)
2. Citations the agency agrees with and will comply with:
  - a. Will comply  
(Recommendation numbers and target dates)
  - b. Budget consideration  
(Recommendation numbers and target dates)
3. Citations the agency disagrees with:  
(Recommendation numbers only)

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